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STATE FOR WHA/CEN, WHA/EPSC, NEA/IR

E.O. 12958: DECL: 03/16/2018

TAGS: EINV EFIN ENRG NU IR

SUBJECT: NICARAGUA: IRANIANS SHOW THE MONEY FOR
HYDROELECTRIC PROJECT AT BOBOKE

REF: A. 2007 STATE 21770
1B. 2007 STATE 37801
1C. 2007 MANAGUA 0177
1D. 2007 MANAGUA 1987

Classified By: CLASSIFIED BY AMBASSADOR PAUL A. TRIVELLI: Reason: E.O.
12958 1.4 (d)

11. (C) Summary: Late on March 11, 2008, a major Nicaraguan daily reported that the Iranian Council of Ministers had approved a 150 million euro loan to fund a Nicaraguan hydroelectric project at Boboke in the North Atlantic Autonomous Region (RAAN). After the story broke, Rappaccioli took pains to explain to a news reporter on camera that the Iranian loan was not to the Government of Nicaragua, but rather to an unspecified Iranian company that would invest in the hydroelectric plant. Construction would start in November 2008 and the plant would come on-line in 2011. News reports out of Iran identified the Export Development Bank of Iran as the issuer of a 10-year project loan carrying an implied interest rate of 5%. Sources tell us that ENATREL, the state-owned transmission company, would be the Nicaraguan entity that would purchase the power from Boboke. After ten years, the project would be transferred to the state. End Summary.

12. (SBU) Late the evening of March 11, 2008, major Nicaraguan daily El Nuevo Diario reported that Islamic Republic News Agency (www.irna.ir) carried a story (we believe from SEDA-YE EDALAT, or the Voice of Justice) that the Iranian Council of Ministers had approved a 150 million euro loan to fund a Nicaraguan 70 MW hydroelectric project at Boboke. The report stirred interest because such a loan to the Government of Nicaragua would require National Assembly approval, as would the development of a private hydroelectric project larger than 30 MW require. Boboke is located in the Matagalpa basin, north of Lake Apanas, itself created by the construction of Nicaragua's largest dam (100MW). This is the same general area eyed by another long gestating hydroelectric project (600MW), called COPALAR, which reportedly would require a billion dollar investment.

13. (SBU) After the story about the Boboke loan broke, a local 24-hour television news station reporter managed to corner Minister of Energy and Mines Emilio Rappaccioli as he was departing the National Assembly. On camera, Rappaccioli took pains to explain that the Iranian loan was not to the Government of Nicaragua, but rather to an unspecified Iranian company that would invest in the hydroelectric plant. Rappaccioli assured the reporter that the Iranian loan would cover everything, i.e., the purchase of land, resettlement of

inhabitants to "better living conditions," engineering studies and designs, as well as construction of and capital equipment for the dam and associated electrical works. Reportedly, an existing feasibility study for Boboke prices the hydroelectric project at about half the value of the Iranian loan, but may not take into account all of the costs associated with the project. Rappaccioli told the reporter that ground breaking is planned for November 2008, but that the plant would not come on-line until 2011.

¶4. (SBU) Also on March 11, Mehr News Agency (www.mehrnews.com) reported that the Iranian Ministry of Economic Affairs and Finance had announced that the Export Development Bank of Iran would administer a 10-year project loan to Nicaragua in the amount of 150 million euros. The loan will be repaid in 22 installments during a 10-year period, incorporating an implied interest rate of 5%. (Note: The Export Development Bank is not listed as one of the Iranian institutions suspected of facilitating terrorism finance under UNSCRs 1747 or 1803 (Refs A, B).)

¶5. (C) On March 12, participants in an internal meeting on debt at the Ministry of Finance and Public Credit queried whether the Government of Nicaragua would be the debtor or a guarantor of a new debt to Iran. The Director for Debt confirmed what Rappaccioli had told the media the night before, i.e., the Iranian loan would go to an unspecified Iranian company, not to the Government of Nicaragua. The Director added that the project would be managed as a Build-Operate-Transfer project over a 10-year period. Power produced would be purchased by the National Corporation for Electrical Transmission (ENATREL, formerly known as ENTRESA).

¶6. (SBU) Our understanding is that Nicaraguan law allows only three entities to legally purchase power for resale: ENATREL as the operator of the national grid, and distributors DISNORTE and DISSUR, both under concession to the same Spanish company, Union Fenosa. ENATREL may resell power to the either of the two distributors, or to large users. Unlike the distributors, ENATREL is state-owned and under the direct political control of the government. Minister of Energy and Mines (Emilio Rappaccioli) is Chairman of ENATREL's three-person Board of Directors. The other two Directors are the Minister of Finance and Public Credit (Alberto Guevara) and the Minister of Trade, Industry, and Development (Orlando Solorzano).

¶7. (SBU) Iranian involvement in the Boboke project is a result of cooperation agreements signed by President Mahmoud Ahmadinejad and President Daniel Ortega the week of Ortega's inauguration in January 2007 (Ref C). Boboke was one of six hydroelectric projects that the government was promoting. In June 2007, Ortega visited Ahmadinejad in Teheran. A high-level Iranian technical delegation visited Nicaragua July 31 () August 4 which included the following individuals (Ref D):

-- Mohsen Bakhtiar
Director General for Economic Studies
and Export Promotion
Ministry of Energy
(Water and Electricity Sectors)

-- Masoud Hojjat
Managing Director
Iranian Power Network Administration
(Electricity Projects)

-- Ahmad Shakoori Rad
Managing Director
Ghods Niroo*
(Electricity Projects)

-- Reza Gholami
Assistant Manager for the Karun Dam Project
FARAB Corporation
Construction of Dams and Hydroelectric Dams

-- Reza Ebad Zadeh
Managing Director
Corporation Sunir
(Water and Electricity Sectors)

*Ghods Niroo is listed as an engineering consulting company.
We note that both Ghods and Niroo are words commonly
associated with in the formal name of the Qods Force, a
component of the Iranian Revolutionary Guards Corps.

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